

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT –
COLLABORATIVE LOGISTICS

Docket No. MT2009-1

**NOTICE OF THE UNITED STATES POSTAL SERVICE
OF MARKET TEST OF EXPERIMENTAL PRODUCT –
COLLABORATIVE LOGISTICS**
(April 1, 2009)

Pursuant to 39 U.S.C. § 3641(c)(1), the United States Postal Service hereby gives notice of the initiation of a market test of an experimental “Collaborative Logistics” competitive product. The market test will begin on May 6, 2009. As set forth in section 3641(a)(2), a product, while being tested under section 3641, is not subject to the requirements of sections 3622, 3633, or 3642, or regulations promulgated thereunder.

Statutory Authority

Pursuant to 39 U.S.C. § 3641(c)(1)(A), the Postal Service has determined that this market test is covered by section 3641 on the following bases, as further demonstrated in the description of the nature and scope of the market test below.

- As required by section 3641(b)(1), the product is, from the viewpoint of the mail users, significantly different from all products offered by the Postal Service within the two-year period preceding the start of the test.¹

¹ While a similar product was offered by the Postal Service in the past, that product has not been offered for over two years.

- As required by section 3641(b)(2), the introduction or continued offering of the product will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns.
- As required by section 3641(b)(3), the Postal Service identifies the product as competitive, consistent with the criteria under section 3642(b)(1): The Postal Service does not exercise “sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.”
- As specified by section 3641(d)(1), the duration of the market test shall not exceed 24 months.
- As specified by sections 3641(e)(1) and 3641(g), the total revenues from the experimental product are not anticipated to exceed \$10,000,000 (as adjusted by the change in the Consumer Price Increase since 2007, as determined by the Commission) in any year.

Description of Experimental Product

As required by 3641(c)(1)(B), a description of the nature and scope of the market test follows:

The Postal Service has one of the most complex transportation networks in the world. Utilization of vehicles across this network varies by day of the week, time of the month, and season of the year. The Postal Service endeavors to optimize the transportation network serving its processing facilities. Nevertheless, the natural imbalance of mail volume between cities and the need to meet operating plans to

support service standards makes some underutilized space on some highway transportation predictable.

Under a market test of the Collaborative Logistics experimental product, the Postal Service would sell that available space. The experimental product would be defined as “transportation of an article or multiple articles on a pallet or other unit load, on a space-available basis, in postal transportation.” These unit loads will be picked up and delivered to firms, stores, hospitals, warehouses, other large customer and/or postal facilities. Unit loads will be on pallets, with exceptions made on a case-by-case basis. The maximum pallet weight will be 2200 pounds, with articles secured to the pallet using shrink-wrapping and banding. No hazardous materials or live animals will be permitted. Certain perishables may be permitted. Delivery standards will be ground transportation standards, generally one to four days, depending on origin and destination. Track-and-trace capability, including acceptance and delivery scans, and optional en-route scans will be provided using the Surface Visibility Program.

Similar services, often called LTL (less-than-truckload) shipping, are provided in a competitive marketplace. LTL shipping is widely available from both well-known and less well-known private firms at both published and negotiated prices. The Postal Service would accordingly be unable to set prices substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing business to other firms in the LTL shipping market. In negotiating prices and terms of service with individual customers, the Postal Service’s bargaining position will be constrained by the existence of other providers of LTL services. Accordingly, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service,

quality, or output. The market does not allow the Postal Service to negotiate prices substantially above costs; rather, the product is premised on making available to the market prices and terms that provide sufficient incentive for the customer to ship with the Postal Service rather than a competitor. The Postal Service is unaware of any small business concerns that could offer comparable service.

Due to the competitive nature of the market, individual customer agreements will be negotiated. These agreements will specify a price based on the lanes used, type of containerization and preparation, pickup and delivery, service standards, visibility options, and any other special requirements.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

R. Andrew German
Managing Counsel
Pricing and Product Development

Daniel J. Foucheaux, Jr.
Chief Counsel
Pricing and Product Support

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999, Fax -5402
scott.l.reiter@usps.gov
April 1, 2009